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SUBJECT: LESOTHO NOVEMBER 2007 ECONOMIC ROUNDUP: POVERTY,  
PROCUREMENT, AND PONZI

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[1](#)1. In this edition:

- GOL Reviews Progress on Poverty Reduction Strategy
- SACU Develops Common Negotiating Mechanism, Textile Strategy
- GOL Promotes Procurement as a Profession
- Lesotho's Treasury Stops Payroll Deductions Directed to MKM Burial Society

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GOL Reviews Progress on Poverty Reduction Strategy  
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[1](#)2. To highlight achievements towards its own development goals, in November the Government of Lesotho published a review of its 2004-2007 Poverty Reduction Strategy (PRS). The PRS aims to provide sustainable, broad-based improvement in the standard of living of the Basotho people through economic growth which creates employment and income opportunities, grants access to basic services by the poor and the vulnerable, deepens democracy, and improves public sector performance. The review found that households living below the poverty line fell from 62.1% in 2002/2003 to 50.2% during the review period. The proportion living below the sustenance poverty line fell from 37.8% to 29.1%, suggesting a significant "shallowing" of poverty due to development gains. The gini coefficient, a measure of income inequality, fell from 0.66 in 2002/2003 to 0.57 during the review period.

[1](#)3. While the PRS's stated target for access to improved water resources was set at 85%, the review revealed that only 47% of Basotho actually have access to piped potable water. Due to the introduction of free primary education in 2001, public education received the highest rating of all government services. The actual primary school enrollment rate in 2006 was 84%, nearly reaching the target of 90%. Secondary school enrolment reached 26% in 2006, compared to the goal of 30%. In a shocking reversal, life expectancy declined from 50 years to 34 years due to the impact of HIV/AIDS.

[1](#)4. Under the category of "deepening democracy," the PRS's lack of clear definitions regarding the roles and responsibilities of institutions implementing these goals complicated measurements. The review proposed the selection of indicators to make the monitoring and evaluation of these goals more practical. In conclusion, the review suggested that Lesotho's next PRS should focus in greater depth and detail on kick-starting broad-based, sustainable economic growth.

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SACU Develops Common Negotiating

15. On November 1, the South African Customs Union's (SACU) Technical Liaison Committee met in Maseru to discuss progress on trade issues affecting the SACU member states. Issues discussed included a common SACU negotiating mechanism and a long-term strategy for the textile and clothing sectors.

16. During their meeting, SACU member states drafted a common negotiating mechanism for all future free trade negotiations with third countries. Difficulties during SACU-MERCOSUR and SACU-EFTA trade negotiations led to the call for a common negotiating mechanism which will enable SACU member states to enter into preferential trade agreements with the third parties with the concurrence of other member states. Reports indicate that the first draft of the mechanism has already been reviewed by the SACU Council of Ministers. The final draft is expected to be complete before year's end, and member state ratification will start early next year. This new mechanism is expected to impact forthcoming SACU free trade negotiations, such as SACU-India negotiations, discussions on a SACU-U.S. Trade and Investment Framework Agreement (TIFA), and the conclusion of a SACU-SADC Economic Partnership Agreement (EPA). [NOTE: All five SACU member states are also Southern African Development Community (SADC) member states. END NOTE.]

17. SACU member states resolved to develop a long-term strategy for SACU's textiles and clothing sector in response to global competition and the projected end of the African Growth and Opportunity Act (AGOA) in 2015. The Technical Liaison Committee discussed a draft of the terms of reference for the creation of a long-term strategy for the textile sector, and all states agreed that the study should be commenced immediately upon the finalization of the terms of reference.

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#### GOL Promotes Procurement as a Profession

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18. On November 5, the Government of Lesotho held a one-day conference to promote the professional development of procurement officials. The GOL held the conference as part of its Public Financial Management Reform Program, facilitated by the Chartered Institute of Purchasing and Supply (CIPS). The conference follows the establishment of CIPS earlier this year. CIPS currently trains about 120 individuals, drawn primarily from the civil service, in its post-graduate diploma program.

19. The GOL commissioned CIPS to help establish key procurement institutions mandated by 2007's new procurement regulations. Procurement was previously centralized in the Ministry of Finance, but the function was decentralized to the line ministries earlier this year. The new system, bolstered by improved procurement training, is hoped to meet international standards and thus encourage international donors to use the GOL's procurement system, thereby increasing the government's absorptive capacity for donor funding.

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#### Lesotho's Treasury Stops Payroll Deductions Directed to MKM Burial Society

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110. The Treasury Department of Lesotho's Ministry of Finance will cease processing public servants' and pensioners' payroll deductions directed to MKM Burial Society (reftel) starting next month. On November 28, Dr. Moeketsi Majoro, Principal Secretary of the Ministry of Finance and Development Planning, announced that the decision followed the suspension of MKM's investment activities pending a judicial investigation into the company's operations. Dr. Majoro noted that civil servants and pensioners would not be penalized by MKM because of delayed payments. He appealed to the public to remain calm as the GOL takes measures

to protect their funds from MKM's illegal activities -  
characterized by many as a ponzi scheme.  
NOLAN